

GOVERNOR
BRIAN SCHWEITZER
STATE OF MONTANA

Budget Director Recommendations
to Governor Schweitzer

17-7-140, MCA
Spending Reductions

Governor's Office of Budget
and Program Planning



February 16, 2010

**OFFICE OF THE GOVERNOR
BUDGET AND PROGRAM PLANNING
STATE OF MONTANA**



BRIAN SCHWEITZER
GOVERNOR

PO Box 200802
HELENA, MONTANA 59620-0802

February 16, 2010

Governor Brian Schweitzer
State Capitol Building
Helena, MT 59620

Dear Governor Schweitzer:

As of February 12, 2010, our general fund actual cash balance was a healthy \$315 million. However revenue forecasts have predicted that the June 30, 2011 ending fund balance will be substantially below the \$250 million mark you recommended to and that was adopted by the 2009 legislature.

Predicting revenues is an inexact science. Our own estimates have been consistently far ranging, both above and below, as to what actual revenues are finally received. On January 29, my office estimated that without expenditure reductions and other cost-cutting measures, the ending fund balance could be below \$36.4 million, a point that necessitates an involved budget reduction process.

So it is prudent to proceed with budget reduction efforts by enacting 17-7-140, MCA, the 'trigger' Act. Today, my office is submitting recommendations to you regarding 2011 biennium agency budget reductions as allowed under this act. We have worked with the agencies to identify reductions having the least severe impacts. The general fund reductions are not equal by percentage from agency to agency because some agencies have more flexibility for reductions than others. Nonetheless, we face difficult choices to restore the required ending fund balance.

Our recommendations are presented in compliance with the 'trigger' Act's time line for additional input from the Legislative Finance Committee, the Revenue and Transportation Committee, other legislators, and from the public.


Sincerely,

A handwritten signature in dark ink, appearing to read "D. Ewer".

David Ewer
Budget Director

SUMMARY


Table 1 below shows the total of spending reductions included in these recommendations.

 <small>GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING</small>		Spending Reduction Summary	
Agency	% Reduction	Total Recommended Reductions	
Governor's Office	5.00%	(307,102)	
Comm of Political Practices	5.00%	(23,044)	
Office of Public Instruction	4.51%	(3,938,206)	
Board of Crime Control	5.00%	(119,719)	
Dept of Justice	4.51%	(1,197,250)	
Bd of Public Ed	5.00%	(11,379)	
Comm of Higher Ed	4.51%	(6,824,435)	
Arts Council	5.00%	(23,010)	
State Library	5.00%	(138,958)	
Historical Society	5.00%	(136,901)	
Dept of Environmental Quality	6.42%	(369,781)	
Dept of Transportation	10.00%	(260,000)	
Dept of Livestock	5.00%	(69,048)	
Dept of Natural Resources & Conservation	5.00%	(1,133,834)	
Dept of Revenue	0.51%	(261,499)	
Dept of Administration	5.00%	(313,384)	
Office of Public Defender	0.04%	(7,479)	
Dept of Agriculture	5.00%	(67,704)	
Dept of Corrections	3.98%	(6,877,882)	
Dept of Commerce	10.00%	(481,400)	
Dept of Labor and Industry	8.29%	(216,659)	
Dept of Military Affairs	5.00%	(291,258)	
Dept of Public Health & Human Services	4.55%	(17,386,064)	
Average Percentage Reduction		4.51%	
Total Recommended Reductions			(\$40,455,995)

Although exempted from 17-7-140, MCA, the Legislative Branch, the Judicial Branch, and the Montana School for the Deaf & Blind were asked for voluntary reductions. The School for the Deaf & Blind has indicated that it will have approximately \$65,000 in savings. Both the Legislative and Judicial Branches have indicated that they will have savings, but the plans are still in the approval processes of the respective branches.

SUMMARY

Table 2 below shows the impact on the state's balance sheet from the recommendations in Table 1 as well as other cost savings measures the Governor has implemented.

2011 Biennium General Fund Balance Sheet		
		 <small>GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING</small>
	<u>FY 2010</u>	<u>FY 2011</u>
Beginning Fund Balance	392.53	186.99
OBPP Revenue Estimate	1651.79	1675.56
Total Funds Available	2044.31	1862.55
Disbursements - Ongoing		
HB 2	1475.72	1546.07
Statutory Appropriations	179.14	181.01
Non-Budgeted Transfers	8.68	12.88
Feed Bill	1.83	7.63
Reversions	(5.27)	(5.27)
Other Appropriations	0.06	0.08
Subtotal	1660.15	1742.40
Disbursements - One-Time-Only		
HB 2	23.21	19.25
Non-Budgeted Transfers	79.25	38.21
HB 645	75.31	57.05
Other Appropriations	19.40	0.05
Subtotal	197.17	114.56
Total Disbursements	1857.33	1856.96
Ending Fund Balance Before Adjustment	186.99	5.59
17-7-140 Proposed Reductions		(40.46)
Governor's Other Proposed Reductions		
MSH Receiving Hospital - Elimination*		(4.50)
Food Service Building at MSP*		(1.19)
Great Falls Youth Transitions Center*		(1.25)
Wolf Point OPA*		(2.23)
Statewide Facilities Planning*		(0.40)
Infrastructure Repairs - State Capitol*		(0.50)
Auto Tech Center - MSU-Northern*		(0.61)
MACWIS*		(10.27)
Subtotal		(20.96)
Other Adjustments		
FMAP Tier 3 Unemployment Enhancement**		(19.26)
FMAP Tier 3 Increased Revenue**		3.88
Ending Fund Balance After Adjustments		90.14

*Requires Legislation

**These represent general fund abated in FY 10 and FY 11 due to the upgrade to tier 3 of ARRA FMAP unemployment enhancement and additional revenue attributable to the hospital utilization fee and institutional reimbursements